



DEVELOPMENT EFFECTIVENESS COUNTRY BRIEF

# Kyrgyz Republic

## Selected Country Indicators

Country Indicators	Comparison year	Most recent year
Gross domestic product per capita	\$392 (1996)	\$543 (2006)
Human Development Index rank	0.676 (1995)	0.705 (2004)
Gender-related development index	0.654 (1995)	0.701 (2004)
Poverty incidence (% below national poverty line)	62.6 (2000)	43.1 <sup>a</sup> (2005)
Population living on less than \$1 a day (%)	0.97 (1996)	0.12 (2004)
Poverty gap	21.6 (2000)	10.5 (2005)
Poverty severity index	9.5 (2000)	3.6 (2005)
Inequality (Gini coefficient)	0.301 (2000)	0.280 (2005)
Annual population growth rate (% change)	1.5 (1995)	0.9 (2006)
Adult literacy (%)	97.3 (1995)	98.7 (2006)
Primary school enrollment (%)	103.6 (1995)	92.9 (2005)
Secondary school enrollment (%)	89.2 (1996)	89.9 (2005)
Public education expenditure (% of gross domestic product)	6.6 (1995)	5.6 (2006)
Ratio of females to males in primary and secondary education (%)	–	101 (2004)
Under-5 child mortality (per 1,000 live births)	41.3 (1996)	35.2 <sup>b</sup> (2005)
Infant mortality rate (below 1 year, per 1,000 live births)	28.1 (1995)	29.2 <sup>b</sup> (2006)
Maternal mortality ratio (per 100,000 live births)	44.3 (1995)	53.0 <sup>b</sup> (2006)
Total fertility rate (births/woman)	3.1 (1995)	2.53 (2005)
Births attended by skilled health staff (% of total)	98.9 (1996)	99 (2004)
Life expectancy at birth (years)	65.9 (1995)	67.7 (2006)
Prevalence of HIV/AIDS (% , 15–49 years)	–	0.1 (2004)
Population with access to an improved water source (%)	81.3 (1996)	84.4 (2005)
Population with access to basic sanitation (%)	24.4 (1996)	23.9 (2005)
Telephone lines (per 1,000 people)	78 (1999)	86 (2005)
Per capita water use (liters/day)	–	67.8 (2006)
Household electrification rate (% of households)	100 (1995)	99.8 (2000)
Cost required for business start-up (% of GNI per capita)	–	10.4 (2005)
Time required for business start-up (days)	–	21 (2005)

a Since 2003, the National Statistics Committee uses consumption data for poverty indicators.

b Figures are derived from a new methodology based on international standards; comparisons are not fully accurate.  
GNI = gross national income.

# COUNTRY DEVELOPMENT SETTING

## Overview of Country Achievements and Development Challenges

- 1. Economic Growth and Macroeconomic Policy.** Despite a sound record of macroeconomic performance in recent years, economic growth has been modest and volatile. A large burden of external debt has been accumulated and integration into global production and trade remains limited. From 1994 to 1998 the Kyrgyz Republic was among the fastest economic reformers in the Commonwealth of Independent States, but 1999 to 2006 brought a reversal or stagnation in the reform efforts. The economy grew at an annual rate of 4.7% from 1996 to 2005 (but below 4% from 2000 to 2005) relying mostly on agriculture and gold production and more recently on services. There have been three major downturns due to exogenous shocks: the 1998 regional financial crisis, the 2002 drop in gold production, and the 2005 political crisis. A public external debt approaching \$2 billion, equivalent to roughly 70% of the gross domestic product (GDP), remains a pressing concern. The 2002 and 2005 rescheduling of the debt by the Paris Club of Official Creditors has helped to relieve the burden. A possible participation in the Highly Indebted Poor Countries Initiative has caused intense internal debate and some resistance in view of what was perceived as a possible erosion of the country's sovereignty. In February 2007, the new Government decided not to pursue participation in this debt relief facility.
- 2. Macroeconomic policy in recent years** has been adequate, and successive governments have established a good record of implementation of the poverty reduction and growth facility programs supported by the International Monetary Fund (IMF) since 2001. The authorities were able to stabilize debt ratios mainly through the fiscal consolidation supported by the coordinated efforts of international financial institutions. The fiscal deficit was reduced from 10% of GDP in 2000 to about 2.3% in 2006. Inflation declined steadily from 20% in 2000 to about 6% while the exchange rate remained stable. Economic performance during the first half of 2007 improved markedly with a record growth rate of 9.2% compared with 2.6% in the same period in 2006. This performance was driven by the construction and service sectors and a revival in industry and agriculture.
- 3. Poverty Reduction and Human Development.** Economic growth has contributed to a decline in poverty over the past 5 years. According to official estimates, in 2000 the incidence of poverty was 63%; it fell by a remarkable 20% by 2005 (though this may in part reflect changes in the survey methodology). Over the last 3 years for which comparable data are available, there is evidence that poverty levels have responded strongly to economic growth: for every 1% increase in GDP per capita from 2003 to 2005, extreme poverty fell by 5% and overall poverty fell by 2%.

The reduction in poverty was prompted by declines in the real prices of utilities that continue to be heavily subsidized and are far below their cost recovery levels. Much of the decline in extreme poverty occurred in rural areas. Concurrent with poverty reduction, income inequality decreased slightly: official estimates of the Gini coefficient showed a decline from 0.30 to 0.28 from 2000 to 2005.

4. The Kyrgyz Republic has a mixed track record with regard to progress toward the national Millennium Development Goals (MDGs). The country can potentially achieve its targets on poverty reduction, universal enrolment in primary education and literacy, and environmental sustainability. Other targets are unlikely to be achieved including those regarding child mortality, maternal health, HIV/AIDS, tuberculosis and other infectious diseases, and access to safe drinking water. Problems of malnutrition persist, especially among rural children and women. In addition, considerable effort will be required to achieve gender equality in the work place.
5. **Development Challenges.** Few economies face natural conditions as challenging as those in the Kyrgyz Republic. With a small population (just over 5 million) in one of the least accessible locations in the world, the country is landlocked, which is a significant barrier to international trade. This is further hampered by inadequate physical infrastructure and protectionist policies in neighboring countries. Only about 7% of the land is arable. The two major natural resources are hydropower and gold. Known gold reserves are being depleted and without new discoveries

could be close to exhaustion within a decade. Hydropower output has been constrained by the depletion of assets that has taken place over the past 15 years. In addition, poor governance and low institutional and technical capacity have been limiting the impact of reforms in many areas. The political environment remains potentially unstable, marked by the March 2005 revolution and the subsequent disruptions and struggles for power within institutions.

6. The Kyrgyz Republic is still in the process of nation building. In this complex political environment, identifying appropriate reforms and building consensus around reforms is difficult. However, support for change can be very strong in a number of areas. The presence of a vibrant civil society, the most robust in Central Asia, is an asset in consolidating the state and its institutions. Political stability will also depend upon achieving visible improvements in economic and social conditions and clear results in tackling corruption. The Government's Country Development Strategy 2007–2010 (CDS) approved in May 2007 focuses on four strategic pillars: economic development, governance and transparency in public administration, human development, and environmental sustainability. It attributes the slow pace of economic and social development to an unfinished reform agenda marked by delays in the privatization of some state enterprises, the need to accelerate reforms in the energy sector, and a business climate not sufficiently conducive to private sector development.

# ADB'S CONTRIBUTIONS TO DEVELOPMENT RESULTS

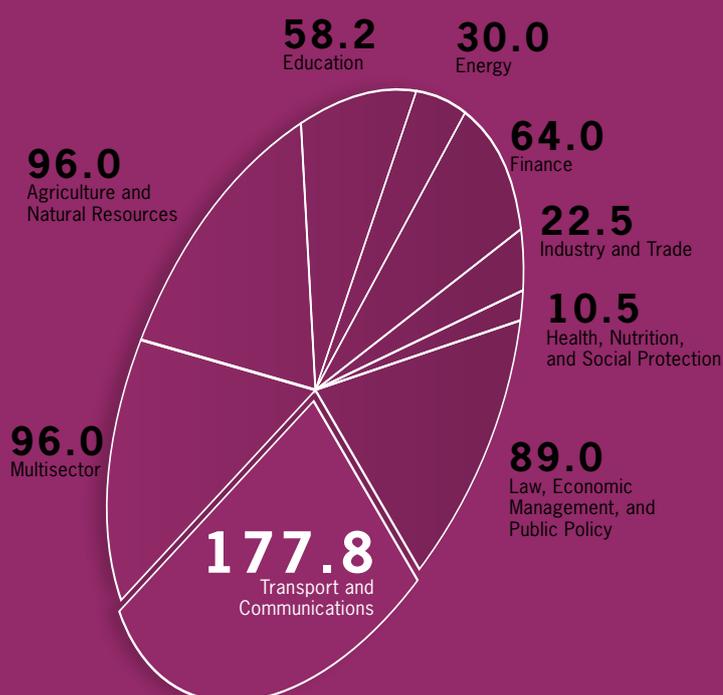
## Volume and Performance of ADB Operations

7. Since the Kyrgyz Republic joined ADB in 1994, ADB has been the second largest development partner of the country with 26 loans and 4 grants for project financing (totaling \$644 million) (see figures 1 and 2), 66 technical assistance (TA) grants (totaling \$38.7 million), and 7 Japan Fund for Poverty Reduction (JFPR) grants (totaling \$7 million). ADB has been the single largest donor in the transport, education, and financial

sectors and the second largest donor in agriculture and rural development. All loans were provided on concessional terms from the Asian Development Fund (ADF). Since 2005, up to 50% of project assistance has been provided as grants. As of 30 June 2007, cumulative disbursements to the Kyrgyz Republic reached \$508 million. Based on the 2006 country performance assessment ratings, the allocation for 2007 and 2008 will be \$55 million. In addition, as an active participant in the ADB-led Central Asia Regional Economic Cooperation (CAREC) Program, the Kyrgyz Republic can receive additional assistance for the transport, environment, and power sectors.

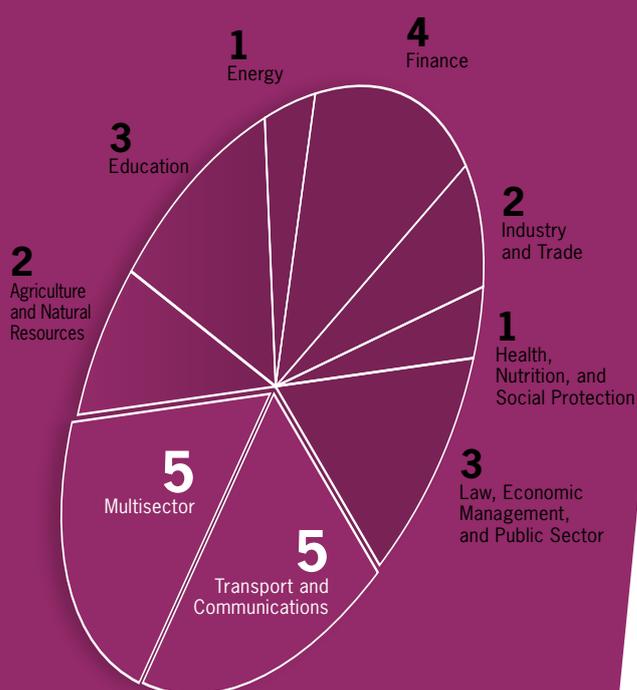
**Figure 1**

Asian Development Fund Loans and Grants Approved, 1994–2006 (\$ million)



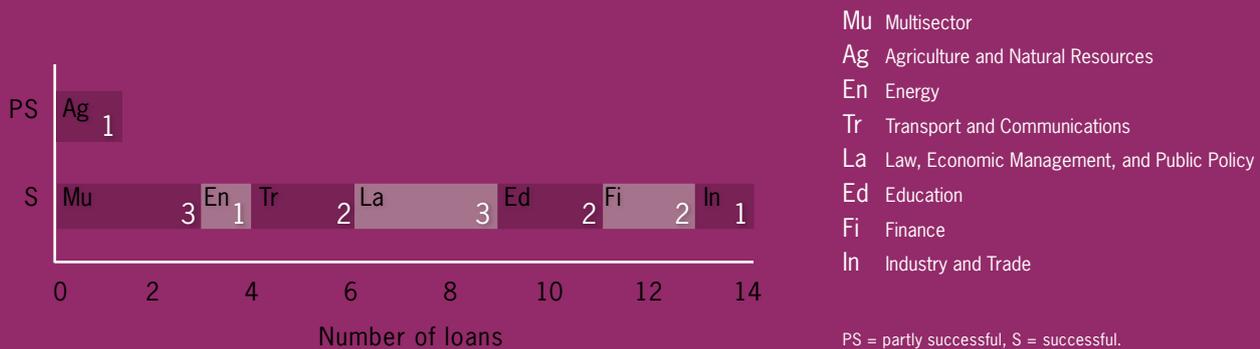
**Figure 2**

Asian Development Fund Loans and Grants Approved, 1994–2006 (number of projects)



**Figure 3**

Project Completion Report Ratings, 1998–2004



8. **Project Implementation Performance and Success Rate.** Of the 15 project completion reports (PCRs) from 1994 to 2006, 14 rated the projects successful and one as partially successful (figure 3). The 2006 Annual Evaluation Review of the Operations Evaluation Department concluded that the overall project and program success rate in the Kyrgyz Republic was 92%, the highest among ADB developing member countries. While overall portfolio performance has been satisfactory, incidences of implementation issues are essentially related to start-up delays, inadequate prequalification of contractors resulting in poor performance and ultimately termination, nonfunctional project steering committees, and insufficient attention to project administration. Such issues have tended to limit the efficiency of the program. Lately, regular joint country portfolio reviews and follow-up meetings have helped to improve portfolio performance.
9. **Impact of ADB Assistance.** The assessment of ADB's assistance in the Kyrgyz Republic from 2002 to 2006 shows positive results.<sup>1</sup> ADB's strategy and program is highly relevant, coherent, and designed to support the Government's development strategy. ADB projects

have effectively produced visible and lasting results in contribution to country outcomes. The geographical focus of ADB's assistance has remained on the poorer areas of the country, and its sector and thematic focus has been aligned with the national poverty reduction strategy. ADB's role in promoting regional cooperation and development, through CAREC and other regional projects, also largely benefited the Kyrgyz Republic.

## Highlights of ADB Results

10. **Transport.** Transport and communications play a crucial role in a land-locked country's economic growth by ensuring cost-effective access to regional and domestic markets, generating employment opportunities, and providing services. The transport and communications sector therefore continues to receive the largest share of ADB assistance, with a focus on the rehabilitation of key sections of the regional and national road network and support for strengthening sector management. ADB provided three loans totaling \$140 million for rehabilitating the Bishkek–Osh road, which is the country's major transport

<sup>1</sup> A self-assessment of the country strategies and programs for 2002–2004 and 2004–2006 was conducted by the ADB country team to provide input to the Joint Country Support Strategy 2007–2010.

corridor and part of the transnational route (see box). A \$5 million loan for rehabilitating the Kyrgyz Republic segment of the regional Almaty–Bishkek road is also under implementation. Improvement of another important regional corridor, the Osh–Sarytash–Irkeshtam road which links the Fergana Valley with the booming markets of the People’s Republic of China through the Kyrgyz Republic, has started with a \$32.8 million loan for a first phase of construction approved in December 2004.

11. New projects in the sector will promote trade among countries in the region by rehabilitating regional corridors and facilitating cross-border agreements. Significantly, ADB will also provide support for the Government to (i) establish a sustainable road maintenance program, (ii) introduce necessary changes in funding, institutional, contractual, and regulatory mechanisms, and (iii) encourage private sector involvement in road maintenance and user-funded maintenance mechanisms. The Government recently approved a road strategy to implement these reforms.
12. **Agriculture.** In the agriculture sector, ADB interventions aimed to increase farm and land productivity on a sustainable basis. ADB has provided one program loan and two project loans in the amount of \$96 million, one JFPR project for \$1 million, and several project preparatory and advisory TAs. The Agriculture Area Development Project (AADP) approved in 1999, still under implementation, aims to increase the productivity of selected farms and the incomes of farmers in the Chui region. Components include assisting farms and businesses to operate as commercially viable enterprises;

## Rehabilitation of the Bishkek-Osh Road

The Bishkek–Osh road is the most important transport corridor in the Kyrgyz Republic. The road is of major regional importance as it links the Kyrgyz Republic to Kazakhstan and the Russian Federation in the north, to Uzbekistan and Tajikistan in the south, and to the People’s Republic of China in the east. These 650 kilometers of road represent nearly one third of the total core international road corridor network in the country. It is also the only internal surface transport link that crosses the mountain range between the southern provinces of Osh and Jalalabad and the northern part of the country that includes the capital city Bishkek. The road runs through four of the Kyrgyz Republic’s seven provinces. It connects two major centers of economic activity and population that together account for more than half the country’s GDP and 80% of all industrial enterprises. The corridor has been rehabilitated in three phases with ADB, Japanese, and Islamic Development Bank assistance. The first two phases are complete and the third phase is scheduled for completion in 2007.

Approximately three quarters of the people living in the project area are extremely poor. Road rehabilitation helped to reduce their transportation costs, improved their access to local and regional markets and to social infrastructure, and generated employment opportunities.

rehabilitating drainage and irrigation works; training and advisory services; extending a credit line of \$10 million to provide access to investment finance; and rehabilitating essential off-farm and on-farm infrastructure. A recent impact assessment of AADP has shown a high level of success in 42 villages in the eight districts of Chui. In 4 farm areas investigated, the average financial gross margin is estimated at \$215 per hectare; the average net present value per hectare is \$483; and the average economic internal rate of return is 26%. The improved profitability has stemmed from several factors including (i) reclamation of some irrigated land; (ii) a shift in

## Second Education Project

The period of economic transition negatively affected the education system. Enrollment rates at primary and secondary schools plunged from almost universal attendance to 88.4% by 1999. Dropouts increased from almost zero in 1985 to 28,700 children by the year 2000. The sector was also characterized by declining quality standards due to the lack of qualified teachers and modern teaching materials and to the deterioration of school infrastructure. By the year 2000, only 68.2% of students had a complete set of textbooks. Since 1995, ADB has provided assistance to support sector reforms, focusing on improving the quality of education and strengthening national capacity to manage reforms.

A \$15.5 million ADF grant for the project was approved in October 2005. It supports the Government's commitment to improve the quality and effectiveness of the educational system. Grant financing was justified on the basis of its focus on basic education and its deliberate targeting of the poor in remote areas. The project aims to restore enrollment rates in basic education from 92.9% in 2005 to 99.8% by 2010 and to improve students' learning achievements. About 1.2 million students nationwide will benefit from the improved curriculum, a new learning assessment system, the availability of a new generation of textbooks and learning materials, and better trained teachers. Over 50,000 students from selected rural schools, of whom more than 60% come from poor families, will directly benefit from rehabilitated facilities and modern equipment, furniture, and learning materials.

cropping patterns from low to higher value crops; (iii) improved crop yields; and (iv) increased livestock output resulting primarily from purchases of livestock financed by the former Kyrgyz Agriculture Finance Corporation, now AiylBank.

13. The AADP approach to area development is now being applied in the Southern Agriculture Area Development Project (SAADP) approved in January 2007 that covers the regions of Batken, Jalalabad, and Osh. SAADP plans to invest in developing agribusinesses, to promote marketing, and to diversify participating financial institutions. There is also an additional component to address pasture and orchard management. Other planned ADB operations in the agriculture sector will focus on commercialization, diversifying production, and promoting exports. ADB will continue its policy and advisory work in the sector promoting stronger private sector involvement in agricultural marketing and processing. This approach was put forward by the Government in line with the recently prepared Agricultural Sector Strategy.
14. **Education.** Assistance to the sectors of education, health, nutrition, and social protection constitutes one fourth of ADB's portfolio in the Kyrgyz Republic. This includes projects to improve (i) social infrastructure with a focus on basic education, (ii) primary and secondary health care, (iii) early childhood development through improving primary child health care, (iv) preschool programs, and (v) childcare practices at home and in the community. The country's strategy to achieve high levels of productivity and international competitiveness as a means for export-led growth requires a competitive edge in technology-intensive exports based on highly

developed human capital. The \$15.5 million grant for the Second Education Project (see box) aims to modernize the basic education curriculum by supporting the development of a new generation of textbooks and learning materials. The project is also upgrading facilities and equipment in 90 priority schools in rural areas. Another \$10 million grant for the Vocational Education and Skills Development Project approved in January 2007 will assist the Government to reform the primary vocational education system and to increase skill training opportunities for adults and out-of-school youth. With the increasing involvement of other donors in the education sector including the World Bank and the United Nation's Children's Fund and in view of the expected completion of a comprehensive national education strategy, a sector-wide approach funding mechanism is being considered.

15. **Regional Cooperation.** Regional cooperation is critical for the landlocked Kyrgyz Republic. Developing an integrated and efficient transport system and customs service is a cornerstone of the CAREC program initiated by ADB. The new Customs Code adopted in 2004 brought information technology for automated customs services, joint customs control and single window practices to complement regional transit development. The CAREC energy program also benefits the Kyrgyz Republic in a number of ways:

(i) ADB is supporting the Government's policy and efforts in promoting the export of its hydropower through the Central Asia-South Asia Regional Electricity Market Initiative; (ii) the proposed Regional Gas Transmission and Distribution Enhancement Project will provide necessary investments and support institutional reforms for ensuring reliable gas transmission and distribution to the consumers in the region; and (iii) the Kyrgyz Republic is an active participant in the Central Asia Market Electricity Regulators Forum. Other CAREC activities that benefit Kyrgyzstan include the ongoing regional land management initiative,<sup>2</sup> regional business development opportunities, and knowledge and expertise products.

16. **Finance.** ADB has supported a program to improve policy, regulatory, and institutional capacity in the banking sector. With ADB assistance, the Government has also implemented far-reaching reforms to improve corporate governance and regulation and the functioning of the judiciary. ADB will continue to extend its support to banking legislation and regulation, to the supervision of the securities market, to the improvement of market transparency, to the protection of investors, and to the removal of policy distortions through an ongoing loan and technical assistance project.<sup>3</sup>

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2 Central Asia Countries Initiative in Land Management (CACILM).

3 The ongoing Banking Sector and Capital Market Development Program loan and the associated technical assistance project Supporting the Banking Sector and Capital Market Development.

# ADB'S AGENDA FOR ENHANCING PARTNERSHIPS AND AID EFFECTIVENESS

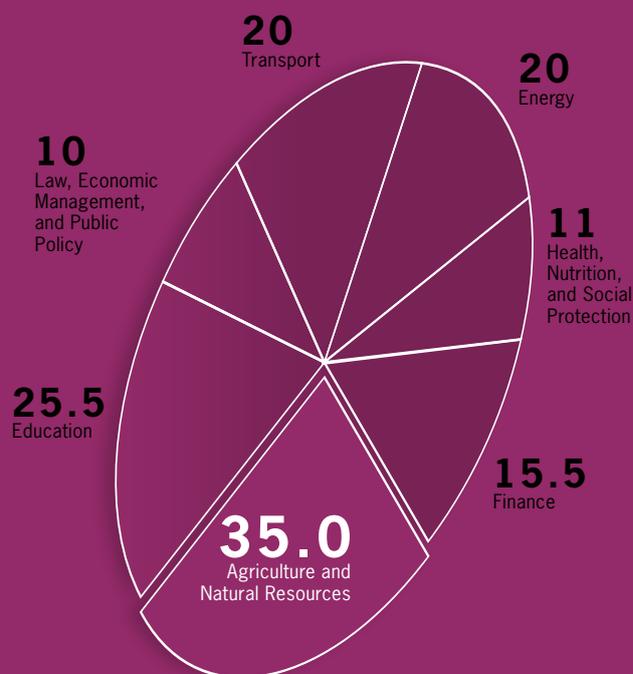
## Current ADB Portfolio and Assistance Pipeline

17. Figure 4 shows the projected approvals by sector from 2005 to 2008. As of 30 June 2007, the ADB portfolio consisted of 9 loans, 1 ADF grant, 15 technical assistance projects, and 5 JFPR grants representing an overall net amount of \$205 million. Four other investment projects, two for technical assistance

and two from JFPR, are pending. The two largest sectors of ADB assistance are transport and communications (27.6%) and agriculture (14.9%). Of the 10 ongoing loans and grants, only one was rated as partly satisfactory and the rest were rated satisfactory (figure 6).

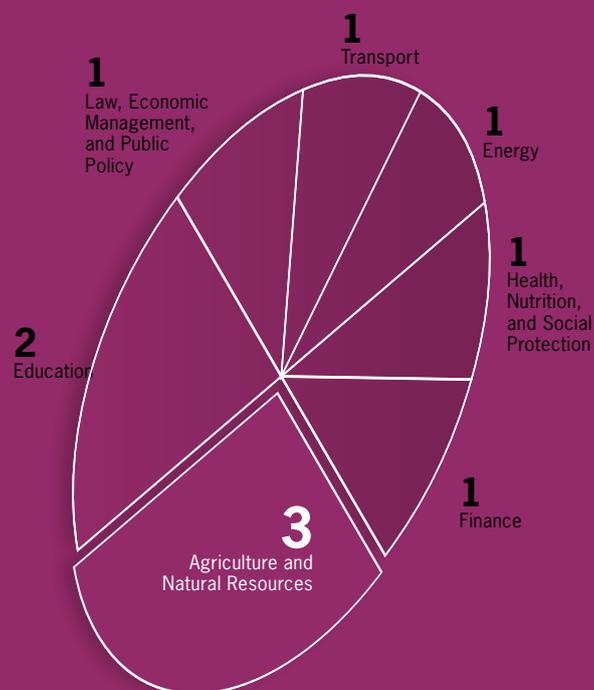
**Figure 4**

Projected Approvals, 2005–2008 (\$ million)



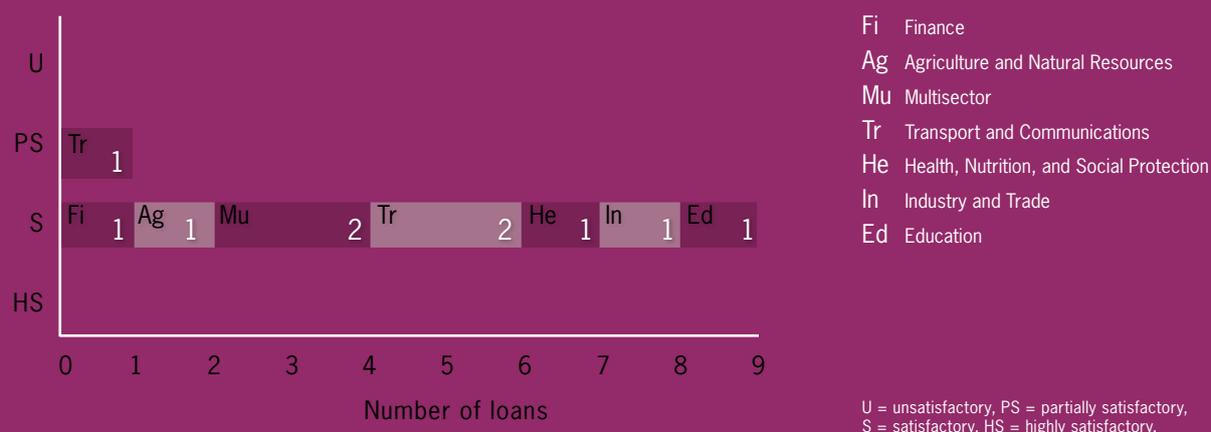
**Figure 5**

Projected Approvals, 2005–2008 (number of loans)



**Figure 6**

Project Performance Report Ratings (current)



## Ownership, Alignment, and Managing for Results in ADB Operations

18. **Joint Country Support Strategy 2007–2010 (JCSS).** The JCSS, developed in cooperation with five key development partners—ADB, the Swiss Cooperation, the United Kingdom’s Department for International Development (DfID), the World Bank Group, and United Nations (UN) Agencies—is scheduled for Board consideration in October 2007. Certain strategic roles have been agreed among the partners and have been applied across all donor groups. In this context, ADB’s program is focused on (i) reforms in sectors where ADB support is already ongoing; (ii) mitigation of risks associated with high indebtedness and growth volatility; and (iii) economic and sector work and capacity building.
19. The proposed strategic focus of ADB operations for 2007–2010, governed by the JCSS priorities, is fully aligned with the Government’s CDS, consistent with the ADF financing resources available, and takes into account the need for enhanced focus and selectivity of operations. Lessons from ADB experience in the country as well as ADB’s comparative advantages vis-à-vis other development partners have helped to shape the program. The limited ADF resources available for the Kyrgyz Republic require that its operations be strategically and selectively focused on those priority areas where ADB’s interventions can yield clear and concrete development results. It is envisaged that operations financed from the ADF core country allocation be directed towards consolidating and extending reforms in sectors that have a direct impact on economic diversification, poverty reduction and human development. These are the road, communication, agriculture, and education sectors in which ADB has established a successful track record and demonstrated tangible benefits to stakeholders. Further involvement in these sectors reflects continuity from the previous Country Strategy and Program 2004–2006.

20. Several strong cross-cutting themes are emerging throughout the proposed program. ADB operations would aim to improve overall governance and facilitate an enabling environment for private sector development in order to lay the foundation for second and third generation reforms. Given the country's geographic and natural constraints (a land-locked country far from ports; small population and market; poor natural resource endowment), regional connectivity and cooperation are of the utmost importance to national development. The proposed ADB interventions thus have a strong focus on regional connectivity and economic activities. Ensuring environmentally sustainable economic development is another important theme of the proposed program.

21. ADB's assistance for private sector development is proposed in three areas: (i) direct support for improving the business environment and investment climate; (ii) strengthening the Government's capacity and capability for developing and implementing a market-oriented, open, private sector-led economic development policy; and (iii) initiating ADB's own private sector operations.

22. **Monitoring and Evaluation.** The JCSS partners and the Government will regularly monitor and evaluate performance relative to the actions, indicators, and targets outlined in the JCSS matrix to assess progress toward achieving CDS goals.<sup>4</sup> Monitoring and evaluation will take the form of a joint annual review of the CDS. To the extent possible, the review will use existing government processes as the main avenues for detailed discussions and for generating information. These national processes include the national budget, the

Medium Term Expenditure Framework and the public expenditure reviews. An annual JCSS implementation report will summarize progress, remaining challenges, and the way forward. The monitoring indicators will reflect the internationally accepted Paris Declaration indicators adapted to the Kyrgyz Republic. A joint midterm review will be undertaken during the JCSS timeframe. It is expected that these mechanisms will facilitate debate, discussion, and public accountability.

## ADB's Role in Donor Coordination and Harmonization Initiatives

23. The Kyrgyz Republic was selected as a pilot country during the February 2003 Rome Conference on Harmonization. Since then, good progress has been achieved among the key international financial institutions in harmonization in areas such as procurement procedures, financial management, monitoring and reporting requirements, and common project implementation units. ADB's Kyrgyz Resident Mission participated actively in the harmonization working group and contributed to the development of the National Action Plan for Harmonization that was approved by the Government in February 2005. The plan envisages furthering coordination and harmonization through (i) a joint donor assistance strategy; (ii) promotion of a sector-wide approach; (iii) a joint technical assistance pool; (iv) reduction in the number of donor missions through joint assessments, reviews, programs, and analytical work; (v) further progress in financial management; (vi) alignment of procurement processes with national procurement legislation; and (vii) joint project management and implementation arrangements.

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<sup>4</sup> ADB provided technical assistance for strengthening the Government's capacity for results-based monitoring and evaluation of the implementation of the CDS. It includes the establishment of a system at the oblast level, integrated with the national level CDS monitoring and evaluation system with clearly defined roles, responsibilities, and relationships among the stakeholders.

24. **Donors Coordination Council (DCC).**

Development partners in the Kyrgyz Republic have taken actions to strengthen coordination through the DCC. The DCC meets regularly (once a month) to discuss the implementation of the partners' respective programs. This helps to harmonize dialogue with the Government and to reach consistent positions in response to possible deterioration in performance or delays in reforms. A DCC specialist manages donor coordination and maintains a website with updated information on external partner activities. This has led to improvements in important areas such as increasing the number of joint reviews and analyses, and providing the Government with common policy messages.

25. ADB, the World Bank, the Islamic Development Bank, and the German Development Bank (KfW) have been regularly conducting joint country portfolio reviews (JCPRs) with the Government since 2003. Using a results-based approach, the Government and these institutions prepared a joint portfolio management framework (JPMF) for 2007 and sector results matrices (in health, education, roads, and irrigation) with a view to improving portfolio performance and ensuring the achievement of development objectives. Progress in implementing the JPMF and sector matrices will be reviewed periodically. At the outcome and impact level, the 2007 JPMF includes a specific objective to develop, update, or refine strategies and results matrices for specific sectors. At the output level, it includes updated portfolio performance indicators for risks, procurement and disbursements. It also lists new actions related to developing sector strategies, merging project implementation units (PIUs) at the sector level, and procedures for setting PIU staff remuneration levels. During the 2007 JCPR, the IFIs and the Government agreed to consolidate PIUs in several sectors, including education

roads, irrigation, and rural water supply. The 2007 JCPR recommended that with concerned donors, the Government should develop new, consolidated PIUs and should review and amend relevant loan/grant documents as required.

26. In some sectors, joint project missions are commonly fielded, e.g., ADB and the World Bank in education and ADB, the World Bank, and DfID in rural water supply. Recently, the number of joint analytic projects has grown with the most significant ones under the JCSS. The number of partnerships for implementation and for joint financing arrangements are also increasing. Notable again, is the health sector where four external partners are currently channeling funds directly to the budget on the basis of joint performance indicators and a joint, nationally led monitoring and evaluation process. Other examples of co-financing under a joint investment framework include the energy sector where ADB, the Danish International Development Agency, the Nordic Development Fund, Swiss Agency for Development and Cooperation, and the World Bank cofinanced the rehabilitation of the Bishkek Combined Heat and Power Plant.

27. ADB, the World Bank, and the European Bank for Reconstruction and Development have conducted a joint assessment of financial reporting and auditing. ADB's Resident Mission is now using the World Bank's short list of audit firms for project audits. In procurement, Government agencies at the central and local levels have made limited progress in applying the 2004 procurement code because of a lack of qualified staff and of updated bidding documents. To address some of these issues, in 2006 the Government developed a public financial management action plan. The Government is developing an integrated financial management system that will be enforced in 2009. Legislation to

introduce electronic public procurement is being prepared.

28. ADB's country performance assessment (CPA) and the World Bank's country policy and institutional assessment (CPIA) could be conducted jointly (presently both institutions coordinate assessments and share results). Although the performance-based allocation principles and the CPA/CPIA methodology are largely harmonized, the two institutions have different CPA/CPIA cycles.



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